

*Annuity  
Comparison file*

The attached tables show the effect of proposed retirement plan changes on typical employees now in CSRS and CIARDS.

The benefit is projected for ten years to assure retirement in 1995. Benefits payable under the current systems are compared to the benefits resulting from the following reductions:

Change the high-three pay base to high-five.

Reduce the CSRS benefit by 5% for each year under age 65 at retirement; and the CIARDS benefit by 5% for each year under age 60.

Eliminate the credit for unused sick leave.

The benefit which would result if all three reductions is also shown.

The benefit is compared to the current contributions and the annuity that could be purchased by those contributions if the individual were to leave today, invest the refund, and use those funds to purchase an annuity at the retirement age.

The salary projections were based on current earnings of an average individual in each grade. These were assumed to grow by 5% each year for the next ten years. This assumption anticipates moderate general wage growth and within grade increases. Promotions were not assumed. If promotions were to occur, the benefits, and reductions would be larger.

Other assumptions were that the average interest rate will be 6%, the average inflation rate will be 4% and that unused sick leave is accumulated at seven days a year.

Table 1

## Civil Service Retirement System Benefits

## Effect of Various Changes in Formula

Employee now age 45 with 20 years of service

Retiring at age 55 with 30 years of service

| Grade  | 9     | 11    | 15    | SES   |
|--|-------|-------|-------|-------|
| Benefit in current system                    | 19568 | 23832 | 42474 | 56142 |
| Benefit reduced for                          |       |       |       |       |
| High-5 pay base                              | 18666 | 22733 | 40516 | 53553 |
| 5% under age 65                              | 9784  | 11916 | 21237 | 28071 |
| No sick leave credit                         | 18942 | 23069 | 41115 | 54345 |
| All three                                    | 9034  | 11003 | 19610 | 25920 |
| Current contributions                        | 16469 | 20057 | 35747 | 47250 |
| Benefit purchased at age 55 by contributions | 1476  | 1798  | 3204  | 4233  |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| LIFETIME ANNUITY LOSS IF<br>ALL THREE REDUCTIONS ENACTED | 252,816 | 307,896 | 548,736 | 749,328 |
|--|---------|---------|---------|---------|

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Table 2

## Civil Service Retirement System Benefits

## Effect of Various Changes in Formula

Employee now age 50 with 20 years of service

Retiring at age 60 with 30 years of service

| Grade   | 9       | 11    | 15     | SES     |
|---|---------|-------|--------|---------|
| Benefit in current system                             | 1 19568 | 23832 | 42474  | 1 56142 |
| Benefit reduced for                                   |         |       |        |         |
| High-5 pay base                                       | 3 18666 | 22733 | 40516  | 3 53553 |
| 5% under age 65                                       | 4 17122 | 20853 | 37164  | 4 49124 |
| No sick leave credit                                  | 2 18942 | 23069 | 41115  | 2 54345 |
| All three   | 5 15811 | 19257 | 34520  | 5 45344 |
| Current contributions                                 | 16469   | 20057 | 35747  | 47250   |
| Benefit purchased at age 60 by contributions          | 1681    | 2048  | 3650   | 4824    |
| LIFETIME ANNUITY LOSS IF ALL THREE REDUCTIONS ENACTED | 75126   | 91496 | 163067 | 215542  |

Table 3

## CIA Retirement System Benefits

## Effect of Various Changes in Formula

Employee now age 45 with 20 years of service

Retiring at age 55 with 30 years of service

| Grade   | 9       | 11     | 15     | SIS     |
|---|---------|--------|--------|---------|
| Benefit in current system                             | / 20873 | 25420  | 45305  | 59664 / |
| Benefit reduced for                                   |         |        |        |         |
| High-5 pay base                                       | 5 19910 | 24248  | 43217  | 57123 3 |
| 5% under age 60                                       | 4 18263 | 22242  | 39641  | 52398 x |
| No sick leave credit                                  | 2 20246 | 24658  | 43946  | 58088 2 |
| All three   | 5 16901 | 20582  | 36683  | 48488 5 |
| Current contributions                                 | 16469   | 20057  | 35747  | 47250   |
| Benefit purchased at age 55 by contributions          | 1476    | 1798   | 3204   | 4235    |
| LIFETIME ANNUITY LOSS IF ALL THREE REDUCTIONS ENACTED | 95327   | 116093 | 206908 | 273504  |

Table 4

## CIA Retirement System Benefits

## Effect of Various Changes in Formula

Employee now age 40 with 15 years of service

Retiring at age 50 with 25 years of service

| Grade  | 9     | 11    | 15                     | SIS   |
|--|-------|-------|------------------------|-------|
| Benefit in current system                    | 17394 | 21184 | <sup>100</sup> 37755   | 49904 |
| Benefit reduced for                          |       |       |                        |       |
| High-5 pay base                              | 16592 | 20207 | <sup>95.4%</sup> 36014 | 47603 |
| 5% under age 60                              | 8697  | 10592 | <sup>50.0</sup> 18877  | 24952 |
| No sick leave credit                         | 16872 | 20548 | <sup>97.1</sup> 36622  | 48407 |
| All three                                    | 8047  | 9800  | <sup>46.3</sup> 17467  | 23087 |
| Current contributions                        | 14351 | 17478 | 31151                  | 41175 |
| Benefit purchased at age 50 by contributions | 1147  | 1397  | 2490                   | 3292  |

LIFETIME ANNUITY LOSS IF ALL THREE REDUCTIONS ENACTED

|               |         |         |         |         |
|---------------|---------|---------|---------|---------|
|               | 261,716 | 318,752 | 568,064 | 750,876 |
| Current       | 24,352  |         | 52,857  |         |
| High 5        | 23,232  |         | 50,426  |         |
| No Sick Leave | 23,622  |         | 51,271  |         |
| Both          | 22,535  |         | 48,913  |         |